

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120313632-01

TO: Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: Investment Professionals, Inc., Respondent
Broker-Dealer
CRD No. 30184

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Investment Professionals, Inc. (the "Respondent" or "Firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The Firm hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

The Firm has been a member of FINRA, and its predecessor NASD, since May 19, 1992, and its registration remains in effect.

SUMMARY

In connection with FINRA Matter No. 20120313632, the Fixed Income Investigations Team of the Department of Market Regulation (the "staff") reviewed the Firm's municipal securities trading activity from October 1, 2011 through October 31, 2013 (the "review period"). Based on its review, the staff determined the Firm engaged in the violative conduct set forth below, consisting of violations of MSRB Rules G-17 and G-27.

FACTS AND VIOLATIVE CONDUCT

The staff identified trading activity by the Firm in relation to its customer, a limited partnership. In total, the staff identified 167 sets of transactions in which the Firm, through a broker's broker or an Alternative Trading System ("ATS"), traded for its customer. These transactions did not effect a change in beneficial ownership.

In each of the 167 sets of transactions, the Firm executed transactions in the following manner: (1) a purchase by the Firm of bonds from its customer, which was held as a position in the customer's account; (2) a sale by the Firm of those bonds to either a broker's broker or an ATS; (3) a purchase by the Firm of those bonds from the same broker's broker or ATS; and (4) a sale by the Firm of those bonds to the same customer. The staff identified the 167 sets of transactions among a total of 52,558 transactions made by the Firm for that customer during the review period.

The MSRB's rule governing just and equitable conduct requires that "[i]n the conduct of its municipal securities or municipal advisory activities, each broker, dealer, municipal securities dealer, and municipal advisor shall deal fairly with all persons and shall not engage in any deceptive, dishonest, or unfair practice." See MSRB Rule G-17. Based on the foregoing facts, the staff found that, in the conduct of its municipal securities activities, the Firm did not comply with MSRB Rule G-17. Specifically, during the review period, the Firm executed 167 non-bona fide municipal transactions for one trading account without a change in beneficial ownership. Of these 167 transactions, the Firm executed seven pre-arranged municipal transactions for the same account. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-17.

MSRB Rule G-27 requires member firms to establish and maintain a system, including written supervisory procedures ("WSPs"), to supervise the municipal securities activities of its employees, which are reasonably designed to achieve compliance with applicable securities laws and regulations, and MSRB rules. During the review period, the Firm lacked a reasonable supervisory system to detect and prevent non-bona fide and pre-arranged municipal bond trades in the type of Firm account at issue in this matter. The subject account was a limited partnership serviced by multiple traders who executed trades on behalf of the Firm. The Firm did not have any WSPs applicable to trading activity in limited partnership accounts. Instead, the Firm's WSPs relating to non-bona fide and pre-arranged trading applied to managed accounts in its investment adviser business and retail municipal transactions, neither of which included the account at issue. The conduct described in this paragraph constitutes a violation of MSRB Rule G-27.

B. The Firm also consents to the imposition of the following sanctions:

A censure, a fine of \$125,000 (\$100,000 for the Rule G-17 violations and \$25,000 for the Rule G-27 violation), and an undertaking to revise the Firm's WSPs with respect to the areas described in Section I.A under Facts and Violative Conduct.¹ Within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the Firm shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, DEPARTMENT OF MARKET REGULATION, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the Firm has revised its WSPs to address the deficiencies described above in Section I.A. under Facts and Violative Conduct; and (3) the date the revised procedures were implemented.

The Firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The Firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

The Firm specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the Firm;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;

¹ No restitution payment is provided for in the AWC because the Firm paid restitution to its customer.

- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the Firm specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

The Firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

The Firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Firm; and
- C. If accepted:
 - 1. This AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the Firm;
 - 2. This AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and

4. The Firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The Firm may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Firm's: (a) testimonial obligations; or (b) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. The Firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

11/1/17
Date

Investment Professionals, Inc., Respondent

By: Brian Suravik

Name: Brian Suravik

Title: CEO

Reviewed by:
John T. Gerhart, Jr., Esq.
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Counsel for Respondent

Accepted by FINRA:

2/2/17
Date

Signed on behalf of the
Director of ODA, by delegated authority

Robert A. Marchman
Robert A. Marchman
Executive Vice President, Legal Section
Department of Market Regulation